

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Union	County Isabella County
Fiscal Year End 12/31/2006	Opinion Date April 13, 2007	Date Audit Report Submitted to State June 26, 2007	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-----|-------------------------------------|--------------------------|---|
| 1. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| 2. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| 3. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| 4. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has adopted a budget for all required funds. |
| 5. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | A public hearing on the budget was held in accordance with State statute. |
| 6. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| 7. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| 8. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit only holds deposits/investments that comply with statutory requirements. |
| 9. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| 10. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| 11. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is free of repeated comments from previous years. |
| 12. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The audit opinion is UNQUALIFIED. |
| 13. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| 14. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute. |
| 15. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	Not applicable.	
Certified Public Accountant (Firm Name) Yeo & Yeo, CPA's and Business Consultants		Telephone Number 989-631-6060	
Street Address 6018 Eastman Ave.		City Midland	State MI
Zip 48640			
Authorizing CPA Signature 	Printed Name Michael R. Zimmerman		License Number 1101018243

**Charter Township of Union
Isabella County, Michigan**

**Annual Financial Statements
and
Auditors' Report
December 31, 2006**

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**Charter Township of Union
List of Elected and Appointed Officials
December 31, 2006**

TOWNSHIP OFFICIALS

Supervisor

James Collin

Clerk

Margie Henry

Treasurer

Deborah Supka

Trustees

Russell Alwood

James Horton, II

Marian McDonald

John Verwey

Superintendent

Gwen Plowman



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Midland, MI 48640
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Independent Auditors' Report

To the Township Officials
Charter Township of Union
Isabella County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of Charter Township of Union as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of Charter Township of Union as of December 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The managements' discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Union basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

April 13, 2007
Midland, Michigan

Charter Township of Union

Managements' Discussion and Analysis

Year Ended December 31, 2006

Charter Township of Union (the "Township"), Michigan follows the requirements of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Managements' Discussion and Analysis, a requirement of GASB 34, is intended to be the Township's managements' discussion and analysis of the financial results for the fiscal year ended December 31, 2006.

Overview of Financial Statements

The annual report consists of four parts: managements' discussion and analysis (this section), the basic financial statements, the required supplementary information, and other supplemental information. Generally Accepted Accounting Principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Government-wide Financial Statements and Fund Financial Statements.

Government-wide Financial Statements

The Government-wide statements provide a perspective of the Township as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two Government-wide statements: the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets (page 4-1) combines and consolidates the governmental fund current financial resources (short-term spendable resources) with capital assets, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities (page 4-2) accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various district services.

When analyzed together, the two statements help the reader determine whether the Township is financially stronger or weaker as a result of the year's activities.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year (fund balance).

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The Township maintains three individual governmental funds. Information is presented separately in the governmental fund balance

Charter Township of Union Managements' Discussion and Analysis Year Ended December 31, 2006

sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, fire protection, and construction code enforcement funds, each of which are considered to be a major fund.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison schedules have been provided herein to demonstrate compliance with those budgets.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected in the Government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning budgetary information for the Township's major funds.

SUMMARY OF NET ASSETS:

Township's Net Assets

The following summarizes the Township's net assets at fiscal year ended December 31, 2006 and 2005:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current assets	\$ 2,745,843	\$ 2,615,796	\$ 7,228,601	\$ 6,680,102	\$ 9,974,444	\$ 9,295,898
Capital assets	1,115,775	1,058,218	20,381,890	20,927,176	21,497,665	21,985,394
Total assets	3,861,618	3,674,014	27,610,491	27,607,278	31,472,109	31,281,292
Liabilities						
Current liabilities	8,245	7,650	182,990	150,256	191,235	157,906
Long-term liabilities	60,761	78,211	10,147,446	10,956,724	10,208,207	11,034,935
Total liabilities	69,006	85,861	10,330,436	11,106,980	10,399,442	11,192,841
Net Assets						
Invested in capital assets, net of related debt	1,055,014	985,531	10,234,444	9,970,452	11,289,458	10,955,983
Restricted	-	-	343,360	343,360	343,360	343,360
Unrestricted	2,737,598	2,602,622	6,702,251	6,186,486	9,439,849	8,789,108
Total net assets	\$ 3,792,612	\$ 3,588,153	\$ 17,280,055	\$ 16,500,298	\$ 21,072,667	\$ 20,088,451

During the fiscal year ended December 31, 2006, the Township's total net assets increased by \$984,217. Of this amount the governmental activities showed an increase of \$204,459 and the business type activities an increase of \$779,758.

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of Charter Township of Union, assets exceeded liabilities by \$21,072,667.

Charter Township of Union Managements' Discussion and Analysis Year Ended December 31, 2006

A portion of the Township's net assets (54%) reflects its investment in capital assets (e.g. land, buildings, equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Township's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program Revenues:						
Charges for services	\$ 364,740	\$ 148,251	\$ 3,475,450	\$ 2,737,471	\$ 3,840,190	\$ 2,885,722
General revenues						
Property taxes	823,974	774,221	-	-	823,974	774,221
State shared revenue	684,254	540,875	-	-	684,254	540,875
Unrestricted investment earnings	82,498	30,447	256,430	152,447	338,928	182,894
Miscellaneous	163,020	95,358	111,967	18,383	274,987	113,741
Total revenues	<u>2,118,486</u>	<u>1,589,152</u>	<u>3,843,847</u>	<u>2,908,301</u>	<u>5,962,333</u>	<u>4,497,453</u>
Expenses						
General government	415,470	499,911	-	-	415,470	499,911
Public safety	443,543	427,994	-	-	443,543	427,994
Public works	782,074	199,430	-	-	782,074	199,430
Community and t						
economic development	18,014	17,840	-	-	18,014	17,840
Recreation and culture	251,790	61,184	-	-	251,790	61,184
Interest on long term debt	3,136	5,442	-	-	3,136	5,442
Water	-	-	1,827,075	714,681	1,827,075	714,681
Sewer	-	-	1,237,014	1,744,178	1,237,014	1,744,178
Total expenses	<u>1,914,027</u>	<u>1,211,801</u>	<u>3,064,089</u>	<u>2,458,859</u>	<u>4,978,116</u>	<u>3,670,660</u>
Change in net assets	\$ 204,459	\$ 377,351	\$ 779,758	\$ 449,442	\$ 984,217	\$ 826,793
Ending net assets	<u>\$ 3,792,612</u>	<u>\$ 3,588,153</u>	<u>\$ 17,280,055</u>	<u>\$ 16,500,298</u>	<u>\$ 21,072,667</u>	<u>\$ 20,088,451</u>

Governmental Activities

The Township's total governmental revenue increased by \$614,161 from last fiscal year. This was primarily attributed to an increase in property taxes and interest revenue offset by decreases in charges for

services and State revenue sharing. Expenses increased by approximately \$702,000. General government expenses decreased by \$84,441 due to the previous year roof repairs, township census, and early warning siren. Public Safety increased by \$15,549, due to hiring a secretary for the building inspector. Public Works increased \$582,644 due to road improvements, and Recreation and Culture increased by \$190,606 due to repairs, park building addition and equipment.

Business-type Activities

Charges for services increased by approximately \$738,000, which was due to an increase in connection fees caused by the new construction at the south end of the Township.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$2,739,920 an increase of \$128,394 in comparison with the prior year. Approximately 99% of this amount (\$2,719,423) constitutes unreserved fund balance, which is available for spending at the Township's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has been used to prepay expenses for the next fiscal year.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,573,942. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents approximately 113% of total general fund expenditures.

Charter Township of Union Managements' Discussion and Analysis Year Ended December 31, 2006

The fund balance of the General Fund decreased by \$203,192 during the current fiscal year due to higher spending on capital improvements, such as roads and Jameson Park Hall addition, as compared to the prior year.

The fund balance of the Fire Fund increased by \$161,800 during the current fiscal year, which is attributable to an increase in taxes due to growth in the Township.

The fund balance of the Construction Code Enforcement Fund increased by \$169,782 during the current fiscal year, which was due to increased demand for building permits and a slight increase in costs.

The net assets of the sewer fund increased by \$570,383 during the year which was due to an increase in connection fees which was offset by increase user charges and lower interest payments on outstanding debt.

The net assets of the water fund increased by \$209,375 during the year as charges for services and expenses were increased from the prior year.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The General Fund budget was amended during the year. As additional information became known during the fiscal year, budget amendments were made to recognize the additional revenue and/or planned expenditures related to various Township programs.

Differences between the original and final amended budgets were relatively minor.

Capital Assets and Debt Administration

Capital Assets

The Township's investment in capital assets for its governmental activities as of December 31, 2006, amounted to \$1,115,775 (net of accumulated depreciation). Investment in capital assets for its business type activities as of December 31, 2006, amounted to \$20,381,890 (net of accumulated depreciation). Investment in capital assets included land, buildings, equipment, and sewer and water systems.

	Goernmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Capital assets not being depreciated						
Land	\$ 160,650	\$ 160,650	\$ 275,780	\$ 275,780	\$ 436,430	\$ 436,430
Capital assets being depreciated						
Land improvements	132,234	113,241	8,680	9,786	140,914	123,027
Building & improvements	583,668	501,361	94,484	100,765	678,152	602,126
Equipment	87,864	124,657	222,436	253,979	310,300	378,636
Vehicles	134,223	134,133	33,858	43,206	168,081	177,339
Office equipment	17,136	24,176	-	-	17,136	24,176
Sewer system	-	-	6,528,029	6,762,252	6,528,029	6,762,252
Sewer treatment plant	-	-	7,418,248	7,586,844	7,418,248	7,586,844
Water system	-	-	5,734,730	5,894,564	5,734,730	5,894,564
Construction in progress	-	-	65,645	-	65,645	-
Capital assets	<u>\$ 1,115,775</u>	<u>\$ 1,058,218</u>	<u>\$ 20,381,890</u>	<u>\$ 20,927,176</u>	<u>\$ 21,497,665</u>	<u>\$ 21,985,394</u>

The Township's Investment in capital assets included land, buildings, and equipment.

Charter Township of Union Managements' Discussion and Analysis Year Ended December 31, 2006

Long-term Debt

At the end of the current fiscal year, the Township had total long-term debt outstanding of \$10,208,207.

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Special assessment debt with governmental commitment	\$ -	\$ -	\$ 355,000	\$ 645,000	\$ 355,000	\$ 645,000
Revenue bonds	-	-	9,855,000	-	9,855,000	-
Capital leases	49,804	72,687	-	10,385,000	49,804	10,457,687
Compensated absences	10,957	-	-	-	10,957	-
	<u>\$ 60,761</u>	<u>\$ 72,687</u>	<u>\$ 10,210,000</u>	<u>\$ 11,030,000</u>	<u>\$ 10,259,804</u>	<u>\$ 11,102,687</u>

No new debt was issued during the year and \$843,135 was retired.

Economic Factors and Next Year's Budget

The following factors were considered in preparing the Township's budget for the 2007 fiscal year:

Revenues are expected to be consistent in 2007 as compared to 2006, with increases expected in 2008 due to significant growth in the Southeast portion of the township. Increases in spending are planned for roads.

Request for Information

This financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances. If you have questions about this report or would like additional information, contact the Township office.

Charter Township of Union
Statement of Net Assets
December 31, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 2,105,917	\$ 4,691,278	\$ 6,797,195	\$ 894,045
Receivables				
Taxes	439,513	-	439,513	911,059
Customers	-	626,760	626,760	-
Special assessments	-	954,919	954,919	306,499
Other	5,330	-	5,330	-
Due from other units of government	172,350	-	172,350	-
Due from component unit	326	-	326	-
Inventories	-	12,805	12,805	-
Prepaid items	22,407	85,558	107,965	2,000
Deferred charge	-	513,921	513,921	53,526
Restricted assets				
Cash and cash equivalents	-	343,360	343,360	476,802
Capital assets not being depreciated	160,650	275,780	436,430	-
Capital assets - net of accumulated depreciation	955,125	20,106,110	21,061,235	-
Total assets	<u>3,861,618</u>	<u>27,610,491</u>	<u>31,472,109</u>	<u>2,643,931</u>
Liabilities				
Accounts payable	5,923	37,647	43,570	284
Accrued and other liabilities	2,322	142,661	144,983	114,023
Due to primary government	-	-	-	326
Deferred revenue	-	2,682	2,682	285,248
Noncurrent liabilities				
Due within one year	24,204	580,000	604,204	326,401
Due in more than one year	36,557	9,567,446	9,604,003	752,973
Total liabilities	<u>69,006</u>	<u>10,330,436</u>	<u>10,399,442</u>	<u>1,479,255</u>
Net Assets				
Invested in capital assets, net of related debt	1,055,014	10,234,444	11,289,458	-
Restricted for:				
Debt	-	343,360	343,360	433,341
Unrestricted	2,737,598	6,702,251	9,439,849	731,335
Total net assets	<u>\$ 3,792,612</u>	<u>\$ 17,280,055</u>	<u>\$ 21,072,667</u>	<u>\$ 1,164,676</u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Statement of Activities
Year Ended December 31, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 415,470	\$ 54,131	\$ -	\$ -	\$ (361,339)	\$ -	\$ (361,339)	\$ -
Public safety	443,543	310,609	-	-	(132,934)	-	(132,934)	-
Public works	782,074	-	-	-	(782,074)	-	(782,074)	-
Community and economic development	18,014	-	-	-	(18,014)	-	(18,014)	-
Recreation and culture	251,790	-	-	-	(251,790)	-	(251,790)	-
Interest on long-term debt	3,136	-	-	-	(3,136)	-	(3,136)	-
Total governmental activities	<u>1,914,027</u>	<u>364,740</u>	<u>-</u>	<u>-</u>	<u>(1,549,287)</u>	<u>-</u>	<u>(1,549,287)</u>	<u>-</u>
Business-type activities								
Sewer	1,827,075	2,228,958	-	-	-	401,883	401,883	-
Water	1,237,014	1,246,492	-	-	-	9,478	9,478	-
Total business-type activities	<u>3,064,089</u>	<u>3,475,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>411,361</u>	<u>411,361</u>	<u>-</u>
Total primary government	<u>\$ 4,978,116</u>	<u>\$ 3,840,190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,549,287)</u>	<u>\$ 411,361</u>	<u>\$ (1,137,926)</u>	<u>\$ -</u>
Component unit								
East Downtown Development Authority	\$ 310,970	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (310,970)
West Downtown Development Authority	228,704	-	-	-	-	-	-	(228,704)
Total component units	<u>\$ 539,674</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (539,674)</u>
General revenues								
Property taxes					\$ 823,974	\$ -	\$ 823,974	\$ 1,066,154
Special assessments					-	-	-	31,715
State shared revenue					684,254	-	684,254	-
Unrestricted investment earnings					82,498	256,430	338,928	59,916
Miscellaneous					163,020	111,967	274,987	452
Total general revenues and transfers					<u>1,753,746</u>	<u>368,397</u>	<u>2,122,143</u>	<u>1,158,237</u>
Change in net assets					204,459	779,758	984,217	618,563
Net assets - beginning of year					3,588,153	16,500,297	20,088,450	426,923
Prior period adjustment					-	-	-	119,190
Net assets - end of year					<u>\$ 3,792,612</u>	<u>\$ 17,280,055</u>	<u>\$ 21,072,667</u>	<u>\$ 1,164,676</u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Governmental Funds
Balance Sheet
December 31, 2006

	General	Fire	Construction Code Enforcement	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,220,067	\$ 533,923	\$ 351,927	\$ 2,105,917
Receivables				
Taxes	181,259	258,254	-	439,513
Other	5,329	-	1	5,330
Due from other units of government	172,350	-	-	172,350
Due from component unit	326	-	-	326
Prepaid items	20,497	-	1,910	22,407
Total assets	<u>\$ 1,599,828</u>	<u>\$ 792,177</u>	<u>\$ 353,838</u>	<u>\$ 2,745,843</u>
Liabilities				
Accounts payable	\$ 5,389	\$ -	\$ 534	\$ 5,923
Fund Balances				
Reserved for:				
Prepaid items	20,497	-	-	20,497
Unreserved, reported in:				
General fund	1,573,942	-	-	1,573,942
Special revenue funds	-	792,177	353,304	1,145,481
Total fund balances	<u>1,594,439</u>	<u>792,177</u>	<u>353,304</u>	<u>2,739,920</u>
Total liabilities and fund balances	<u>\$ 1,599,828</u>	<u>\$ 792,177</u>	<u>\$ 353,838</u>	<u>\$ 2,745,843</u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
December 31, 2006

Total fund balances for governmental funds \$ 2,739,920

Total net assets for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets not being depreciated 160,650

Capital assets-net of accumulated depreciation 955,125

Certain liabilities are not due and payable in the current period and are not reported in the funds.

Accrued interest (2,322)

Compensated absences (10,957)

Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.

(49,804)

Net assets of governmental activities **\$ 3,792,612**

Charter Township of Union
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended December 31, 2006

	General	Fire	Construction Code Enforcement	Total Governmental Funds
Revenues				
Taxes	\$ 347,830	\$ 476,144	\$ -	\$ 823,974
Licenses and permits	51,931	-	310,609	362,540
State revenue sharing	684,254	-	-	684,254
Interest income	58,772	13,997	9,729	82,498
Rental income	2,200	-	-	2,200
Other revenue	39,061	123,959	-	163,020
Total revenues	<u>1,184,048</u>	<u>614,100</u>	<u>320,338</u>	<u>2,118,486</u>
Expenditures				
Current				
General government	482,683	-	-	482,683
Public safety	7,142	-	-	7,142
Public works	649,536	-	132,538	782,074
Planning and zoning	-	-	18,014	18,014
Fire protection	-	425,223	-	425,223
Recreation and culture	233,773	-	-	233,773
Other functions	14,106	-	-	14,106
Debt service				
Principal retirement	-	22,883	-	22,883
Interest and fiscal charges	-	4,194	-	4,194
Total expenditures	<u>1,387,240</u>	<u>452,300</u>	<u>150,552</u>	<u>1,990,092</u>
Net change in fund balance	(203,192)	161,800	169,786	128,394
Fund balance - beginning of year	<u>1,797,631</u>	<u>630,377</u>	<u>183,518</u>	<u>2,611,526</u>
Fund balance - end of year	<u>\$ 1,594,439</u>	<u>\$ 792,177</u>	<u>\$ 353,304</u>	<u>\$ 2,739,920</u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended December 31, 2006

Net change in fund balances - Total governmental funds \$ 128,394

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(56,713)
Capital outlay	135,936
Sale of capital assets (net book value)	(21,666)

Expenses are recorded when incurred in the statement of activities

Interest	1,058
Compensated absences	(5,433)

Bond proceeds and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Repayments of long-term debt	<u>22,883</u>
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Change in net assets of governmental activities \$ 204,459

Charter Township of Union
Proprietary Funds
Statement of Net Assets
December 31, 2006

	Enterprise Funds		
	Sewer	Water	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 2,669,116	\$ 2,022,162	\$ 4,691,278
Receivables			
Customers	396,384	230,376	626,760
Special assessments	346,258	608,661	954,919
Due from other funds	6,137	-	6,137
Inventories	-	12,805	12,805
Prepaid items	62,978	22,580	85,558
Total current assets	<u>3,480,873</u>	<u>2,896,584</u>	<u>6,377,457</u>
Noncurrent assets			
Restricted assets			
Cash and cash equivalents	223,360	120,000	343,360
Deferred charge	504,108	9,813	513,921
Capital assets not being depreciated	275,780	-	275,780
Capital assets-net of accumulated depreciation	<u>14,133,676</u>	<u>5,972,434</u>	<u>20,106,110</u>
Total noncurrent assets	<u>15,136,924</u>	<u>6,102,247</u>	<u>21,239,171</u>
Total assets	<u>18,617,797</u>	<u>8,998,831</u>	<u>27,616,628</u>

Charter Township of Union
Proprietary Funds
Statement of Net Assets
December 31, 2006

	Enterprise Funds		
	Sewer	Water	Total
Liabilities			
Current liabilities			
Accounts payable	15,254	22,393	37,647
Accrued and other liabilities	111,322	31,339	142,661
Due to other funds	-	6,137	6,137
Deferred revenue	-	2,682	2,682
Current portion of noncurrent liabilities	<u>490,000</u>	<u>90,000</u>	<u>580,000</u>
Total current liabilities	<u>616,576</u>	<u>152,551</u>	<u>769,127</u>
Noncurrent liabilities			
Long-term debt, net of current portion	<u>8,404,921</u>	<u>1,162,525</u>	<u>9,567,446</u>
Total liabilities	<u>9,021,497</u>	<u>1,315,076</u>	<u>10,336,573</u>
Net Assets			
Invested in capital assets, net of related debt	5,514,535	4,719,909	10,234,444
Restricted for:			
Debt	223,360	120,000	343,360
Unrestricted	<u>3,858,405</u>	<u>2,843,846</u>	<u>6,702,251</u>
Total net assets	<u>\$ 9,596,300</u>	<u>\$ 7,683,755</u>	<u>\$ 17,280,055</u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
Year Ended December 31, 2006

	Enterprise Funds		
	Sewer	Water	Total
Operating revenues			
Customer fees	\$ 1,464,599	\$ 1,213,083	\$ 2,677,682
Connection fees	764,359	1,545	765,904
Rental income	-	31,864	31,864
Other revenue	32,288	79,679	111,967
Total operating revenues	2,261,246	1,326,171	3,587,417
Operating expenses			
Personnel services	399,931	234,127	634,058
Supplies	127,192	29,348	156,540
Contractual services	128,645	103,683	232,328
Utilities	128,651	72,452	201,103
Repairs and maintenance	53,264	229,393	282,657
Other expenses	36,566	287,114	323,680
Depreciation	429,343	186,337	615,680
Total operating expenses	1,303,592	1,142,454	2,446,046
Operating income	957,654	183,717	1,141,371
Nonoperating revenues (expenses)			
Interest income	136,212	120,218	256,430
Interest expense	(486,474)	(94,560)	(581,034)
Loss on disposal of fixed assets	(37,009)	-	(37,009)
Total nonoperating revenue (expenses)	(387,271)	25,658	(361,613)
Change in net assets	570,383	209,375	779,758
Net assets - beginning of year	9,025,917	7,474,380	16,500,297
Net assets - end of year	\$ 9,596,300	\$ 7,683,755	\$ 17,280,055

See Accompanying Notes to Financial Statements

Charter Township of Union
Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2006

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
Cash flows from operating activities			
Receipts from customers	\$ 2,311,054	\$ 1,391,557	\$ 3,702,611
Receipts from other funds	-	5,887	5,887
Payments to other funds	(5,999)	-	(5,999)
Payments to suppliers	(477,615)	(703,562)	(1,181,177)
Payments to employees	(399,931)	(234,127)	(634,058)
Net cash provided by operating activities	<u>1,427,509</u>	<u>459,755</u>	<u>1,887,264</u>
Cash flows from capital and related financing activities			
Purchases/construction of capital assets	(34,305)	(73,097)	(107,402)
Principal and interest paid on long-term debt	(980,956)	(369,809)	(1,350,765)
Net cash used by capital and related financing activities	<u>(1,015,261)</u>	<u>(442,906)</u>	<u>(1,458,167)</u>
Cash flows from investing activities			
Interest received	<u>136,212</u>	<u>120,218</u>	<u>256,430</u>
Net increase in cash and cash equivalents	548,460	137,067	685,527
Cash and cash equivalents - beginning of year	<u>2,344,016</u>	<u>2,005,095</u>	<u>4,349,111</u>
Cash and cash equivalents - end of year	<u>\$ 2,892,476</u>	<u>\$ 2,142,162</u>	<u>\$ 5,034,638</u>
Reconciliation of operating loss to net cash provided (used) by operating activities			
Operating income	\$ 957,654	\$ 183,717	\$ 1,141,371
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	429,343	186,337	615,680
Changes in assets and liabilities			
Receivables (net)	49,808	65,492	115,300
Due from other funds	(5,887)	-	(5,887)
Inventories	-	(155)	(155)
Prepaid items	(14,250)	(3,666)	(17,916)
Accounts payable	(16,853)	17,852	999
Accrued and other liabilities	27,806	4,242	32,048
Due to other funds	(112)	5,887	5,775
Deferred revenue	-	49	49
Net cash provided by operating activities	<u>\$ 1,427,509</u>	<u>\$ 459,755</u>	<u>\$ 1,887,264</u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Fiduciary Funds
Statement of Assets and Liabilities
December 31, 2006

	<u>Payroll</u>	<u>Current Tax Collection</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 148	\$ 7,460	\$ 7,608
Liabilities			
Accounts payable	\$ 148	\$ -	\$ 148
Due to other units of government	<u>-</u>	<u>7,460</u>	<u>7,460</u>
Total liabilities	<u>\$ 148</u>	<u>\$ 7,460</u>	<u>\$ 7,608</u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Combining Statement of Major Component Units
Statement of Net Assets
December 31, 2006

	East Downtown Development Authority	West Downtown Development Authority	Total
Assets			
Cash and cash equivalents	\$ 388,960	\$ 505,085	\$ 894,045
Receivables			
Taxes	635,005	276,054	911,059
Special assessments	-	306,499	306,499
Prepaid items	1,000	1,000	2,000
Deferred charge	6,797	46,729	53,526
Restricted assets			
Cash and cash equivalents	91,554	385,248	476,802
Total assets	<u>1,123,316</u>	<u>1,520,615</u>	<u>2,643,931</u>
Liabilities			
Accounts payable	284	-	284
Accrued and other liabilities	8,306	105,717	114,023
Due to primary government	183	143	326
Deferred revenue	-	285,248	285,248
Noncurrent liabilities			
Due within one year	242,701	83,700	326,401
Due in more than one year	-	752,973	752,973
Total liabilities	<u>251,474</u>	<u>1,227,781</u>	<u>1,479,255</u>
Net assets			
Restricted for:			
Debt	91,554	341,787	433,341
Unrestricted (deficit)	<u>780,288</u>	<u>(48,953)</u>	<u>731,335</u>
Total net assets	<u>\$ 871,842</u>	<u>\$ 292,834</u>	<u>\$ 1,164,676</u>

See Accompanying Notes to Financial Statements

Charter Township of Union
Combining Statement of Component Units
Statement of Activities
Year Ended December 31, 2006

					Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Program Revenues			East Downtown Development Authority	West Downtown Development Authority	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
East Downtown Development Authority							
Community and economic development	\$ 209,563	\$ -	\$ -	\$ -	\$ (209,563)	\$ -	\$ (209,563)
Fire protection	62,924	-	-	-	(62,924)	-	(62,924)
Interest and fiscal charges	38,483	-	-	-	(38,483)	-	(38,483)
West Downtown Development Authority							
Community and economic development	16,247	-	-	-	-	(16,247)	(16,247)
Fire protection	61,014	-	-	-	-	(61,014)	(61,014)
Interest and fiscal charges	151,443	-	-	-	-	(151,443)	(151,443)
						-	
Total component units	<u>\$ 539,674</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(310,970)</u>	<u>(228,704)</u>	<u>(539,674)</u>
General revenues							
Property taxes					690,122	376,032	1,066,154
Special assessments					-	31,715	31,715
Interest income					9,538	50,378	59,916
Miscellaneous					452	-	452
Total general revenues and transfers					<u>700,112</u>	<u>458,125</u>	<u>1,158,237</u>
Change in net assets					389,142	229,421	618,563
Net assets - beginning of year					390,641	36,282	426,923
Prior period adjustment					<u>92,059</u>	<u>27,131</u>	<u>119,190</u>
Net assets - end of year					<u>\$ 871,842</u>	<u>\$ 292,834</u>	<u>\$ 1,164,676</u>

See Accompanying Notes to Financial Statements

Charter Township of Union

Notes to Financial Statements

December 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Charter Township of Union is governed by an elected seven-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Discretely Presented Component Units – The component units' column in the entity wide financial statements includes the financial data of the East and West Downtown Development Authorities (DDA). The members of the Governing Board of the DDA's are appointed by the Township's board. The budgets and expenditures of the DDA's must be approved by the Township board. The Township also has the ability to significantly influence operations of the DDA's. Each DDA Component Unit consists of a Special Revenue Fund and one or more Debt Service Funds. The DDA's do not issue any other form of financial statements except as contained in the Charter Township of Union annual financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate

component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Charter Township of Union
Notes to Financial Statements
December 31, 2006

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for resources used to provide fire services to residents of the Township and the surrounding area.

The Construction Code Enforcement Fund accounts for building and zoning permit and inspection activities.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

The Water Fund accounts for the activities of the water distribution system.

Additionally, the Township reports the following fund types:

The Agency Fund accounts for assets held by the Township acting as an agent for individuals and/or other funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Charter Township of Union

Notes to Financial Statements

December 31, 2006

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water funds and the internal service funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer and water funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities, and Net Assets or Equity

Deposits – Cash and cash equivalents are considered to be cash on hand, demand deposits and money market accounts.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities

are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Personal property taxes receivable is shown net of an allowance for uncollectible. Property taxes are levied as of January 1 on property values assessed as of the prior December 31. The lien on the property occurs when the property taxes are levied (January 1).

The 2006 taxable valuation of the government totaled \$265,790,562 on which ad valorem taxes consisted of 1.00 mill for general operating purposes and 2.1762 mills for fire operating purposes. This resulted in \$210,632 for operating expenses and \$472,572 for fire fund operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Inventories and Prepaid Items – The Township follows the policy of not recording inventories in governmental funds. The effect of not recording inventories is considered to be immaterial. Inventories of a material amount in the proprietary fund types follow the consumption method and are reported at cost using the first in, first out flow method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted assets – Certain proceeds of enterprise fund revenue bonds and general obligation bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Charter Township of Union

Notes to Financial Statements

December 31, 2006

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Land improvements	10 to 20 years
Buildings	40 to 50 years
Building improvements	15 to 50 years
Water and sewer lines	40 to 50 years
Vehicles	5 to 10 years
Machinery and equipment	5 to 20 years

Compensated absences – The Township policy allows employees to accumulate earned but unused vacation pay benefits. The government-wide and proprietary statements accrue all vacation benefits as they are earned. Upon termination of employment, employees will be paid for unused vacation time that has been earned through the last day of employment.

Long-term obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or

proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data

Comparative data is not included in the Township's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse

Charter Township of Union
Notes to Financial Statements
December 31, 2006

at fiscal year end.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. State law requires the Township to have its budget in place by January 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budgets during the year. The Township amended its budget at various times during the year.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Excess of Expenditures over Appropriations

During the year, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
West Downtown Development Authority			
Transfers out	\$ 155,000	\$ 320,000	\$ 165,000

NOTE 3 - DEPOSITS

At year end the government's deposits were reported in the basic financial statements in the following categories:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents
Governmental activities	\$ 2,105,917	\$ -
Business-type activities	4,691,278	343,360
Total primary government	6,797,195	343,360
Fiduciary funds	7,608	-
Component unit	894,045	-
Total	<u>\$ 7,698,848</u>	<u>\$ 343,360</u>

The breakdown between deposits is as follows:

	Primary Government	Fiduciary Funds	Component Units
Bank deposits (checking and savings accounts, money markets, certificates of deposit)	\$ 7,140,155	\$ 7,608	\$ 894,045
Petty cash and cash on hand	400	-	-
	<u>\$ 7,140,555</u>	<u>\$ 7,608</u>	<u>\$ 894,045</u>

Interest rate risk – The Township will minimize this risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; and investing funds primarily in short-term securities, liquid asset funds, money market funds, or similar investments pools limiting the average maturity in accordance with Township's cash requirements.

Charter Township of Union
Notes to Financial Statements
December 31, 2006

Credit risk – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the government authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

Concentration of credit risk – The Township has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. As of year end, \$10,859,689 of the Township's bank balance of \$11,160,094 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Acquisitions	Sales & Dispositions	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 160,650	\$ -	\$ -	\$ 160,650
Capital assets being depreciated				
Land improvements	224,257	27,067	-	251,324
Buildings & improvements	704,252	95,613	-	799,865
Equipment	251,000	-	(65,000)	186,000
Vehicles	223,555	13,256	-	236,811
Office equipment	56,384	-	-	56,384
Total capital assets being depreciated	1,459,448	135,936	(65,000)	1,530,384
Less accumulated depreciation for				
Land improvements	(111,015)	(8,076)	-	(119,091)
Building & improvements	(202,892)	(13,305)	-	(216,197)
Equipment	(126,343)	(15,127)	43,334	(98,136)
Vehicles	(89,422)	(13,166)	-	(102,588)
Office equipment	(32,208)	(7,039)	-	(39,247)
Total accumulated depreciation	(561,880)	(56,713)	43,334	(575,259)
Net capital assets being depreciated	897,568	79,223	(21,666)	955,125
Governmental activities capital assets, net	\$ 1,058,218	\$ 79,223	\$ (21,666)	\$ 1,115,775

Charter Township of Union
Notes to Financial Statements
December 31, 2006

	Beginning Balance	Acquisitions	Sales & Dispositions	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 275,780	\$ -	\$ -	\$ 275,780
Capital assets being depreciated				
Land improvements	17,776	-	-	17,776
Building & improvements	129,076	-	-	129,076
Equipment	530,072		(35,836)	494,236
Vehicles	222,703	14,905	(62,498)	175,110
Water system	7,991,852	-	-	7,991,852
Sewer system	10,982,470	26,853	(72,937)	10,936,386
Waste water treatment plant	8,429,827	-	-	8,429,827
Construction in progress	-	65,645	-	65,645
Total capital assets being depreciated	<u>28,303,776</u>	<u>107,403</u>	<u>(171,271)</u>	<u>28,239,908</u>
Less accumulated depreciation for				
Land improvements	(7,990)	(1,106)	-	(9,096)
Buildings & improvements	(28,312)	(6,280)	-	(34,592)
Equipment	(276,092)	(31,544)	35,836	(271,800)
Vehicles	(179,501)	(24,249)	62,498	(141,252)
Water system	(2,097,285)	(159,837)	-	(2,257,122)
Sewer system	(4,220,217)	(224,068)	35,928	(4,408,357)
Waste water treatment plant	(842,983)	(168,596)	-	(1,011,579)
Total accumulated depreciation	<u>(7,652,380)</u>	<u>(615,680)</u>	<u>134,262</u>	<u>(8,133,798)</u>
Net capital assets being depreciated	<u>20,651,396</u>	<u>(508,277)</u>	<u>(37,009)</u>	<u>20,106,110</u>
Business-type activities capital assets, net	<u>\$ 20,927,176</u>	<u>\$ (508,277)</u>	<u>\$ (37,009)</u>	<u>\$ 20,381,890</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 27,518
Recreation and culture	18,017
Public safety	<u>11,178</u>
Total governmental activities	<u>56,713</u>
Business-type activities	
Sewer	429,343
Water	<u>186,337</u>
Total business-type activities	<u>615,680</u>
Total primary government	<u>\$ 672,393</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
Sewer Fund	Water Fund	<u>\$ 6,137</u>

Charter Township of Union
Notes to Financial Statements
December 31, 2006

Due to/from Primary Government and Component Units

Receivable Entity	Payable Entity	Amount
Primary government	Component unit	
General	EDDA	\$ 183
General	WDDA	143
Total		<u>\$ 326</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The details for interfund transfers are as follows:

Funds Transferred From Component Unit	Funds Transferred To	Amount
EDDA	Component unit - EDDA-Debt Retirement Fund	\$ 271,018
WDDA	Component unit - WDDA-Debt Retirement Fund	<u>320,000</u>
		<u>\$ 591,018</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

Charter Township of Union
Notes to Financial Statements
December 31, 2006

NOTE 6 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital projects. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Fire Truck Capital Lease	\$ 201,482	2008	5.78%	\$22,883-\$25,600	\$ 72,687	\$ -	\$ 22,883	\$ 49,804	\$ 24,204
Compensated absences					<u>5,524</u>	<u>5,433</u>	<u>-</u>	<u>10,957</u>	<u>-</u>
Total governmental activities					<u>\$ 78,211</u>	<u>\$ 5,433</u>	<u>\$ 22,883</u>	<u>\$ 60,761</u>	<u>\$ 24,204</u>
Business-type activities									
Bonds payable									
Revenue bonds									
1990 Water Supply System and Refinancing	\$ 1,300,000	2018	5.27%	\$45,000-\$105,000	\$ 940,000	\$ -	\$ 45,000	\$ 895,000	\$ 50,000
1999 Wastewater Treatment Plant Project Bonds	\$ 1,850,000	2007	5.00%	\$330,000	330,000	-	330,000	-	-
Less Deferred Discounts					(6,428)	6,428	-	-	-
2001 Wastewater Treatment Plant Refunding Bonds	\$ 7,605,000	2021	4%-5.1%	\$50,000-\$250,000	7,300,000	-	50,000	7,250,000	385,000
Less Deferred Discounts					(51,621)	3,260	-	(48,361)	-
2004 Sanitary Sewer System Refunding Bonds	\$ 1,920,000	2019	2%-4.5%	\$105,000-\$165,000	1,815,000	-	105,000	1,710,000	105,000
Less Deferred Discounts					(18,004)	1,286	-	(16,718)	-
Special assessment obligations									
1987 Special Assessment Bonds Series I	\$ 600,000	2007	6.7%-9.5%	\$30,000-\$35,000	65,000	-	65,000	-	-
1988 Special Assessment Bonds Series I	\$ 695,000	2008	7%-9.8%	\$110,000-\$35,000	110,000	-	110,000	-	-
1988 Special Assessment Bonds Series II	\$ 455,000	2008	7%-10%	\$25,000	75,000	-	75,000	-	-
1993 Water Special Assessment Limited Tax Refunding Bonds	\$ 915,000	2016	3%-5.7%	\$40,000-\$35,000	395,000	-	40,000	355,000	40,000
Less Deferred Discounts					<u>2,777</u>	<u>-</u>	<u>252</u>	<u>2,525</u>	<u>-</u>
Total business-type activities					<u>\$ 10,956,724</u>	<u>\$ 10,974</u>	<u>\$ 820,252</u>	<u>\$ 10,147,446</u>	<u>\$ 580,000</u>

Charter Township of Union
Notes to Financial Statements
December 31, 2006

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component units									
General obligation bonds									
1989 EDDA Series I	\$ 995,000	2007	6.9%-9.6%	\$75,000	\$ 150,000	\$ -	\$ 75,000	\$ 75,000	\$ 75,000
Less Deferred Discounts					(1,577)	789	-	(788)	-
1989 EDDA Series II	\$ 995,000	2007	6.9%-7	\$75,000	150,000	-	75,000	75,000	75,000
Less Deferred Discounts					(1,466)	733	-	(733)	-
1990 EDDA Series I	\$ 790,000	2007	6%-7.2%	\$65,000	130,000	-	65,000	65,000	65,000
Less Deferred Discounts					(1,229)	614	-	(615)	-
1991 EDDA Series I	\$ 260,000	2007	6.2%-8%	\$30,000	60,000	-	30,000	30,000	30,000
Less Deferred Discounts					(325)	162	-	(163)	-
1991 WDDA Series II	\$ 949,982	2018	6.3%-7.25%	\$49,388-\$31,130	522,461	-	49,388	473,073	48,700
Less Deferred Discounts					(12,350)	950	-	(11,400)	-
Revenue bonds									
1991 Water/Sewer Special									
Assesment Bond	\$ 905,000	2016	6.3%-7.25%	\$40,000-\$35,000	415,000	-	40,000	375,000	35,000
Total component units					<u>\$ 1,410,514</u>	<u>\$ 3,248</u>	<u>\$ 334,388</u>	<u>\$ 1,079,374</u>	<u>\$ 328,700</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending December 31,	Governmental Activities		Business-type Activites		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 24,204	\$ 2,874	\$ 580,000	\$ 484,079	\$ 328,700	\$ 161,419
2008	25,600	1,477	600,000	456,144	87,073	150,454
2009	-	-	615,000	430,744	84,807	154,980
2010	-	-	640,000	403,354	77,982	164,181
2011	-	-	665,000	374,540	77,876	176,828
2012-2016	-	-	3,775,000	1,354,950	372,980	1,000,025
2017-2021	-	-	3,335,000	412,028	63,655	476,344
	<u>\$ 49,804</u>	<u>\$ 4,351</u>	<u>\$ 10,210,000</u>	<u>\$ 3,915,839</u>	<u>\$ 1,093,073</u>	<u>\$ 2,284,231</u>

Charter Township of Union
Notes to Financial Statements
December 31, 2006

NOTE 7 - NET ASSETS

The balances of the restricted assets accounts in the Enterprise Funds are as follows:

Water Fund - Replacement Reserve

The 1990 Water Fund bond requires a replacement reserve account in the amount of \$120,000 until the bonds are paid in full. This reserve has accumulated in the amount of \$120,000.

Sewer Fund - Reserve Account

The 2004 Sewer Fund bond requires a reserve account in the amount of \$223,360 until the bonds are paid in. This reserve has accumulated in the amount of \$223,360.

NOTE 8 - RISK MANAGEMENT

The Charter Township of Union is a member of a self insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. The purpose of the association is to administer a risk management fund, which protects members with loss protections for general and auto liability, motor vehicle physical damage and property. Contributions are applied to the procurement reinsurance, risk management, underwriting, payment of claims, establishment of loss reserves and other related expenses.

A member's loss contribution account is charged or credited according to the member's actual loss experience; no obligation is credited for another member's losses. If contributions are in excess of actual expenses and reserves, future contributions are decreased. Should any member have more losses paid on their behalf than contributions covering such losses, credit is extended within the association joint loss fund; such a deficit is repaid by the member in future contributions.

NOTE 9 - EMPLOYEE RETIREMENT PLAN

The Charter Township of Union participates in a defined contribution plan administered by Manufacturers Life Insurance Company. The plan is available for all Township Officials and employees. The Township is required to contribute 7.5 percent of each participant's annual compensation. Employees are required to contribute 2.5 percent of their annual compensation and additional voluntary contributions to the plan in amounts ranging from 1 to 10 percent of their annual compensation may be made. Contributions are made by employees on an after-tax basis. Upon early retirement or termination of service, other than because of death, disability or normal retirement, benefits in the plan vest immediately at 100%.

For the year ended December 31, 2006 the Township and its employees made required contributions of \$50,625 and \$16,300, respectively.

NOTE 10 - CONTINGENCIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Litigation – The Charter Township of Union is subject to various legal proceedings arising in the course of providing public services to Township residents. The Township is presently a defendant in several cases. However, in the opinion of management and legal counsel, the Township is sufficiently covered by its liability insurance in those matters for which a monetary value is involved.

Charter Township of Union
Notes to Financial Statements
December 31, 2006

NOTE 11 – RELATED PARTY TRANSACTIONS

The Township has entered into various transactions with vendors whose owners or managers are directly related to employees or board members of the Township or its component units. The Township entered into transaction totaling \$173,424 with the Isabella Corporation during the year ended December 31, 2006. The president of the Isabella Corporation is a board member of a component unit of the Township.

The Township also entered into various transactions with the following vendors whose owners or managers are directly related to employees or board members of the Township or its component units: Alwood Landscaping and Nursery, James Alwood, Kastle Construction Co., and Central Concrete Products. The total with each of the vendors ranged between \$606 and \$27,067.

NOTE 12 – COMMITMENTS

The Township has a fire protection agreement with the City of Mt. Pleasant in which fire protection services are provided at an agreed upon amount through 2008. Under the agreement the City also provides a fire truck for use by the City. The fund balance as of December 31, 2006 reflects taxes collected in 2006 to pay for fire protection in 2007. Township residents have committed to pay for the fire protection through a tax levy which runs through 2007. Payments due in future years amount to:

Year Ended December 31,	Amount
2007	\$ 448,430
2008	473,090

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

Beginning net assets of the component units were increased by \$119,190 to correct interest expense.

Charter Township of Union
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2006

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 180,600	\$ 180,000	\$ 210,632	\$ 30,632
Other taxes	10,500	11,630	12,769	1,139
Penalties and interest	4,025	4,025	2,514	(1,511)
Administration fee	105,000	113,163	121,915	8,752
Licenses and permits	50,010	50,010	51,931	1,921
State revenue sharing	538,800	687,930	684,254	(3,676)
Interest income	25,000	59,000	58,772	(228)
Rental income	4,000	2,500	2,200	(300)
Other revenue	2,900	37,650	39,061	1,411
Total revenues	920,835	1,145,908	1,184,048	38,140
Expenditures				
General government				
Governing board	103,400	115,700	97,642	(18,058)
Superintendent	36,323	40,493	35,151	(5,342)
Supervisor	24,425	25,350	22,995	(2,355)
Clerk	33,225	35,250	28,696	(6,554)
Audit	14,000	14,000	11,290	(2,710)
Data processing	55,275	56,585	46,845	(9,740)
Board of review	3,140	3,540	3,083	(457)
Treasurer	43,510	45,410	37,684	(7,726)
Assessor	125,150	131,170	123,112	(8,058)
Elections	5,000	7,650	4,187	(3,463)
Buildings and grounds	104,050	105,625	59,840	(45,785)
Attorney	5,000	18,000	12,158	(5,842)
Total general government	552,498	598,773	482,683	(116,090)

Charter Township of Union
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2006

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Public safety				
Liquor inspector	7,525	7,575	7,142	(433)
Public works				
Drains	600	144,030	143,927	(103)
Highways, streets, and bridges	810,250	810,250	485,754	(324,496)
Street lighting	30,000	30,000	19,855	(10,145)
Total public works	840,850	984,280	649,536	(334,744)
Recreation and culture				
Parks and recreation	138,200	272,400	233,773	(38,627)
Other functions				
Insurance and bonds	16,000	16,000	14,106	(1,894)
Total expenditures	1,555,073	1,879,028	1,387,240	(491,788)
Excess of revenues (deficiency) over expenditures	(634,238)	(733,120)	(203,192)	529,928
Fund balance - beginning of year	1,797,631	1,797,631	1,797,631	-
Fund balance - end of year	\$ 1,163,393	\$ 1,064,511	\$ 1,594,439	\$ 529,928

Charter Township of Union
Required Supplemental Information
Budgetary Comparison Schedule
Fire Fund
Year Ended December 31, 2006

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 435,000	\$ 435,000	\$ 476,144	\$ 41,144
Interest income	4,000	13,500	13,997	497
Other revenue	90,488	90,488	123,959	33,471
Total revenues	529,488	538,988	614,100	75,112
Expenditures				
Current				
Fire protection	425,150	425,250	425,223	(27)
Debt service				
Principal retirement	22,883	22,883	22,883	-
Interest and fiscal charges	5,194	5,194	4,194	(1,000)
Total expenditures	453,227	453,327	452,300	(1,027)
Excess of revenues over expenditures	76,261	85,661	161,800	76,139
Fund balance - beginning of year	630,377	630,377	630,377	-
Fund balance - end of year	\$ 706,638	\$ 716,038	\$ 792,177	\$ 76,139

**Charter Township of Union
Required Supplemental Information
Budgetary Comparison Schedule
Construction Code Enforcement Fund
Year Ended December 31, 2006**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 150,000	\$ 317,000	\$ 310,609	\$ (6,391)
Interest income	-	9,729	9,729	-
Total revenues	150,000	326,729	320,338	(6,391)
Expenditures				
Current				
Public safety	104,954	146,554	132,538	(14,016)
Planning	19,795	20,795	12,664	(8,131)
Zoning	10,635	10,660	5,350	(5,310)
Total expenditures	135,384	178,009	150,552	(27,457)
Excess of revenues over expenditures	14,616	148,720	169,786	21,066
Fund balance - beginning of year	183,518	183,518	183,518	-
Fund balance - end of year	\$ 198,134	\$ 332,238	\$ 353,304	\$ 21,066

Charter Township of Union
Other Supplemental Information
Component Units
Combined Balance Sheet
December 31, 2006

	East Downtown Development Authority		West Downtown Development Authority			Total Component Units
	Operating	Debt Service	Operating	Debt Service	Debt Service Special Assessment	
Assets						
Cash and cash equivalents	\$ 388,960	\$ 91,554	\$ 569,797	\$ 213,228	\$ 107,308	\$ 1,370,847
Receivables						
Taxes	33,481	-	22	-	-	33,503
Special assessments	-	-	-	-	306,499	306,499
Prepaid items	1,000	-	1,000	-	-	2,000
Total assets	<u>\$ 423,441</u>	<u>\$ 91,554</u>	<u>\$ 570,819</u>	<u>\$ 213,228</u>	<u>\$ 413,807</u>	<u>\$ 1,712,849</u>
Liabilities						
Accounts payable	\$ 284	\$ -	\$ -	\$ -	\$ -	\$ 284
Due to general fund	183	-	143	-	-	326
Deferred revenue	88,598	-	100,000	-	285,248	473,846
Total liabilities	<u>89,065</u>	<u>-</u>	<u>100,143</u>	<u>-</u>	<u>285,248</u>	<u>474,456</u>
Fund Balances						
Unreserved	<u>334,376</u>	<u>91,554</u>	<u>470,676</u>	<u>213,228</u>	<u>128,559</u>	<u>1,238,393</u>
Total liabilities and fund balances	<u>\$ 423,441</u>	<u>\$ 91,554</u>	<u>\$ 570,819</u>	<u>\$ 213,228</u>	<u>\$ 413,807</u>	<u>\$ 1,712,849</u>

Charter Township of Union
Other Supplemental Information
Component Units
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
December 31, 2006

Total fund balances for governmental funds	\$ 1,238,393
Total net assets for governmental activities in the statement of net assets is different because:	
Property taxes in the DDA are recognized one year after levy.	877,556
Certain receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	188,598
Other long-term assets are not deferred in the governmental fund.	53,526
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(114,023)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(1,079,374)</u>
Net assets of governmental activities	<u><u>\$ 1,164,676</u></u>

Charter Township of Union
Other Supplemental Information
Component Units
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended December 31, 2006

	<u>East Downtown Development Authority</u>		<u>West Downtown Development Authority</u>		<u>Debt Service Special Assessment</u>	<u>Total Component Units</u>
	<u>Operating</u>	<u>Debt Service</u>	<u>Operating</u>	<u>Debt Service</u>		
Revenues						
Taxes	\$ 649,420	\$ -	\$ 335,080	\$ -	\$ -	\$ 984,500
Special Assessments	-	-	-	-	31,715	31,715
Interest income	5,902	3,636	21,214	2,135	27,029	59,916
Other revenue	452	-	-	-	-	452
Transfers in	-	271,018	-	320,000	-	591,018
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>655,774</u>	<u>274,654</u>	<u>356,294</u>	<u>322,135</u>	<u>58,744</u>	<u>1,667,601</u>
Expenditures						
Current						
Community and economic development	209,563	-	16,247	-	-	225,810
Fire protection	62,924	-	61,014	-	-	123,938
Principal retirement	-	245,000	-	49,388	40,000	334,388
Interest and fiscal charges	-	36,880	-	106,362	28,280	171,522
Transfers out	271,018	-	320,000	-	-	591,018
	<u>271,018</u>	<u>-</u>	<u>320,000</u>	<u>-</u>	<u>-</u>	<u>591,018</u>
Total expenditures	<u>543,505</u>	<u>281,880</u>	<u>397,261</u>	<u>155,750</u>	<u>68,280</u>	<u>1,446,676</u>
Excess (deficiency) of revenues over expenditures	112,269	(7,226)	(40,967)	166,385	(9,536)	220,925
Fund balance - beginning of year	<u>222,107</u>	<u>98,780</u>	<u>511,643</u>	<u>46,843</u>	<u>138,095</u>	<u>1,017,468</u>
Fund balance - end of year	<u>\$ 334,376</u>	<u>\$ 91,554</u>	<u>\$ 470,676</u>	<u>\$ 213,228</u>	<u>\$ 128,559</u>	<u>\$ 1,238,393</u>

Charter Township of Union
Other Supplemental Information
Component Units
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended December 31, 2006

Net change in fund balances - Total governmental funds	\$ 220,925
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Total change in net assets reported for governmental activities in the statement of activities is different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Property taxes	81,654
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Bond proceeds and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. Also, governmental funds report are deferred and amortized in the statement of activities.

Repayments of long-term debt	334,388
Amortization of issuance costs, premiums, discounts and similar items	(3,248)
Bond Issuance costs	(10,991)
Interest	<u>(4,165)</u>

Change in net assets of governmental activities	<u>\$ 618,563</u>
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Charter Township of Union
Other Supplemental Information
Budgetary Comparison Schedule
Component Unit - East Downtown Development Authority
Year Ended December 31, 2006

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 750,486	\$ 651,864	\$ 649,420	\$ (2,444)
Interest income	2,000	5,500	5,902	402
Other revenue	-	-	452	452
	<u>752,486</u>	<u>657,364</u>	<u>655,774</u>	<u>(1,590)</u>
Expenditures				
Current				
Community and economic development	426,275	432,375	209,563	(222,812)
Fire protection	62,924	62,924	62,924	-
Transfers out	271,018	271,018	271,018	-
	<u>760,217</u>	<u>766,317</u>	<u>543,505</u>	<u>(222,812)</u>
Total expenditures				
	<u>760,217</u>	<u>766,317</u>	<u>543,505</u>	<u>(222,812)</u>
Excess (deficiency) of revenues over expenditures	(7,731)	(108,953)	112,269	221,222
Fund balance - beginning of year	222,107	222,107	222,107	-
Fund balance - end of year	<u>\$ 214,376</u>	<u>\$ 113,154</u>	<u>\$ 334,376</u>	<u>\$ 221,222</u>

Charter Township of Union
Other Supplemental Information
Budgetary Comparison Schedule
Component Unit - West Downtown Development Authority
Year Ended December 31, 2006

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 314,479	\$ 335,094	\$ 335,080	\$ (14)
Interest income	7,000	21,000	21,214	214
Total revenues	321,479	356,094	356,294	200
Expenditures				
Current				
Community and economic development	658,485	658,485	16,247	(642,238)
Fire protection	27,539	27,539	61,014	33,475
Transfers out	155,000	155,000	320,000	165,000
Total expenditures	841,024	841,024	397,261	(443,763)
Excess (deficiency) of revenues over expenditures	(519,545)	(484,930)	(40,967)	443,963
Fund balance - beginning of year	511,643	511,643	511,643	-
Fund balance - end of year	\$ (7,902)	\$ 26,713	\$ 470,676	\$ 443,963



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To The Township Board
Charter Township of Union
Isabella County, Michigan

In planning and performing our audit of the financial statements of Charter Township of Union for the year ended December 31, 2006, we considered the Township's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated April 16, 2007, on the financial statements of Charter Township of Union.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Yeo & Yeo, P.C.

Midland, Michigan
April 16, 2007



CURRENT YEAR COMMENTS:

BIDDING PROCEDURES

The Township policy states that any purchases for goods or services exceeding an estimated contract cost of \$10,000 shall require the solicitation of sealed bids. During our testing of this policy we have noted that steps to obtain services from Isabella Corp in the amount of \$173,423.97 have not followed this policy. No bids were received for work performed by this company.

Recommendation

We recommend that the Township Board reviews this policy during their upcoming meeting to remind everybody about the details in the policy. The policy should be strictly followed by the Township when purchasing good or services greater than \$10,000.

MILEAGE REIMBURSEMENT

The Township employees receive mileage reimbursement for miles driven for work related purposes. During the audit we have noted that some mileage logs do not include required documentation as required by the IRS law.

Recommendation

In accordance with the IRS law there are two options to account for mileage reimbursements.

- 1) Accountable plan – To be an accountable plan reimbursement of allowance arrangement must include all three of the following rules: 1) expenses must have a business connection, 2) the employee must adequately account to their employer for these expenses within a reasonable period of time, this generally includes the date, from/to location, purpose and miles driven, 3) the employee must return any excess reimbursement or allowance within a reasonable period of time. If these rules are met the employer does not include any reimbursements in employees income in box 1 on W-2.
- 2) Non-accountable plan – Under this plan the reimbursements are to be included in employees wages on their W-2 and no documentation is required to support any of these expenses.

PRIOR YEAR COMMENTS:

REVIEW OF SUPPORTING DOCUMENTATION

Invoices are reviewed and approved for payment by two board members; however there is no evidence to indicate that the review took place.

Recommendation

We recommend that the board members continue to review the supporting documentation for agreement of payee, amount and other pertinent information and that person's approval should also be indicated in writing on the supporting documentation.

This recommendation has been implemented during prior year audit.

DISBURSEMENTS

Currently the Treasurer signs all checks, but doesn't match the check to the invoice for amount and payee.

Recommendation

To prevent possible misappropriation of the Township's assets we recommend that the Treasurer agrees the payee and amount listed on the invoice to the same information listed on the check.

This recommendation has been implemented prior year audit.

REVIEW OF JOURNAL ENTRIES AND BANK RECONCILIATIONS BY MANAGEMENT

All journal entries are posted by the Superintendent and all bank reconciliation are prepared by the Superintendent as well. There is no independent review of these transactions by the appropriate level of management or a board member.

Recommendation

Journal entries and bank reconciliations should be reviewed monthly by a person independent of the monthly accounting process. This is especially important as the Superintendent is involved in the majority of transactions in the monthly accounting cycle.

This recommendation has been implemented. To further improve this procedure we recommend that individual reviewing journal entries and bank reconciliations also initial them as evidence of approval.